

Energy Situation Analysis Report

Last Updated: October 17, 2002

Next Update: October 22, 2002

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Latest Oil Market Developments

West Texas Intermediate (WTI) front month (November) crude oil futures on the New York Mercantile Exchange (NYMEX) settled at \$29.47 per barrel Wednesday, down 25 cents per barrel from Tuesday's close, after data released by the American Petroleum Institute (API) late Tuesday showed a larger than expected increase in U.S. commercial crude oil stocks. NYMEX crude oil futures fell again in early trading Thursday, after data released by EIA Thursday morning showed an increase of 8.9 million barrels in U.S. commercial crude oil stocks. [more...](#)

Latest U.S. Weekly EIA Petroleum Information

The U.S. average retail price for regular gasoline increased over the last week, rising by 0.1 cent per gallon as of October 14 to end at 144.0 cents per gallon, the highest since September 24, 2001. This price is 13.1 cents per gallon higher than last year. U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) jumped by 8.9 million barrels last week, with all of that increase and more occurring in the Gulf Coast. However, even with the large increase nationally, commercial crude oil inventories are still over 31 million barrels below the level last year at this time. [more...](#)

World Oil Market Highlights

According to fourth quarter 2002 estimates, the world (excluding Iraq) holds about 5 million barrels per day of excess oil production capacity that could be brought online, almost all of which lies in OPEC countries. [more...](#)

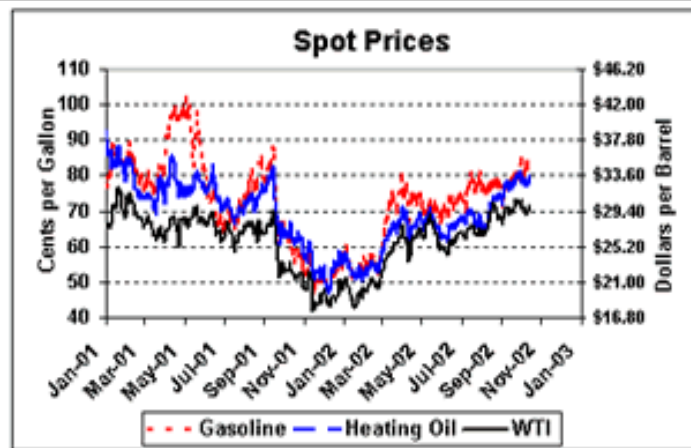
Latest U.S. Weekly Natural Gas Information

Natural gas spot prices have fallen up to 28 cents per MMBtu at most market locations since Monday, October 14, while prices at selected points in the Rocky Mountains region gained up to 21 cents per MMBtu. After spiking at

Energy Prices*

Petroleum Futures	10/16/02	10/15/02	Change
WTI (\$/Bbl)	29.47	29.72	-0.25
Gasoline (c/gallon)	83.93	83.99	-0.06
Heating Oil (c/gallon)	79.96	79.98	-0.02
Natural Gas (\$/MMBtu)			
Henry Hub	4.10	4.20	-0.10
California	3.66	3.87	-0.21
New York City	4.39	4.53	-0.14
Electricity (\$/Megawatthour)			
COB	33.75	36.00	-2.25
PJM West	38.00	34.99	+3.01
NEPOOL	47.13	50.00	-2.87
Average	36.75	37.10	-0.35

[*Definitions](#)



Source: Closing quote as reported by Reuters News Service

most locations on Monday, October 14, with gains of 30 to 57 cents per MMBtu as wintry weather moved into some parts of the country, prices were mostly flat on Tuesday, October 15, and fell up to 15 cents on Wednesday, October 16. At the Henry Hub, prices declined 11 cents since Monday to average \$4.07 per MMBtu. [more...](#)

Latest U.S. Coal Information

Spot coal prices tracked by EIA strengthened slightly for the week ended October 4, after three weeks of stagnation. The lack of life in coal markets recently reflects the continuing uncertainty over the direction of coal prices. Compared to peak prices in summer 2001, Central and Northern Appalachian coal prices are down by about \$17.00 and \$11.00 per short ton, respectively. [more...](#)

Latest U.S. Electricity Information

Electricity prices in the Mid-continent region, as measured at the Cinergy trading center, increased by almost \$8.00 per megawatthour yesterday (October 16), reaching \$28.23 per megawatthour. Over the past seven days, the average price at all trading centers ranged between \$33.87 and \$37.10 per megawatthour. [more...](#)

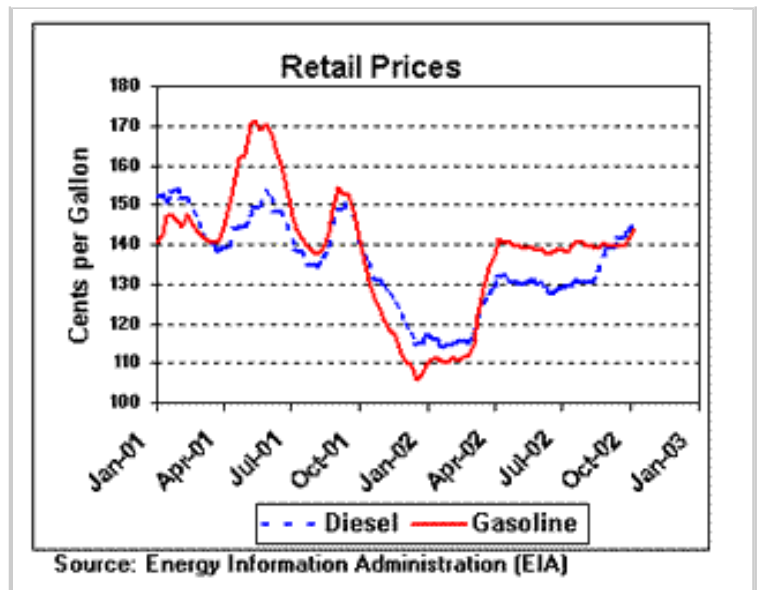
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Latest Oil Market Developments

(updated October 17, 2002)

West Texas Intermediate (WTI) front month (November) crude oil futures on the New York Mercantile Exchange (NYMEX) settled at \$29.47 per barrel Wednesday, down 25 cents per barrel from Tuesday's close, after data released by the American Petroleum Institute (API) late Tuesday showed a larger than expected increase in U.S. commercial crude oil stocks. NYMEX crude oil futures fell again in early trading Thursday, after data released by EIA Thursday morning showed an increase of 8.9 million barrels in U.S. commercial crude oil stocks.

Oil markets continue to watch the situation in the Middle East, including U.N. Security Council discussions on an Iraq resolution, and the U.S. administration's statements on Iraq policy. In general, oil prices have been driven sharply higher (up around 50%) since the beginning of 2002 due to several factors, including: 1) significant cuts in OPEC production quotas during 2001; 2) tensions in the Middle East, particularly speculation over the possibility of U.S. military action against Iraq (the so-called "war premium"); 3) relatively low U.S. crude oil inventories (see [Latest U.S. Weekly EIA Petroleum Information](#)); and 4) concerns in the wake of last week's attack on a French oil tanker that oil facilities will continue to be major terrorist targets.

Topics affecting **world oil markets** include:

- United Nations Secretary General Kofi Annan said on Wednesday that he expected that the Security Council would pass a new resolution allowing weapons inspectors to return to Iraq, and urged Iraq to comply. Negotiations between members of the Security Council on the wording of such a resolution continued.
- On Wednesday, the Yemeni government acknowledged that the explosion which hit the French oil tanker Limberg last week off the Yemeni coast had been an act of terrorism. U.S. General Tommy Franks said during a visit to Yemen Thursday that the attack on the Limburg underlined the importance of a joint U.S.-Yemeni program to create a Yemeni coast guard.
- Undersecretary of State for Economic, Business and Agricultural Affairs Alan Larson met Wednesday with the oil ministers of Saudi Arabia and the United Arab Emirates. According to press reports, a State Department official said the purpose of Larson's tour, which also includes Jordan, was "to review trade and energy issues, and build up our already extensive cooperation in combating international terrorist financing."
- As of October 17, 2002, the U.S. Strategic Petroleum Reserve (SPR) contained 588.2 million barrels of oil. The SPR has a maximum drawdown capability of 4.3 million bbl/d for 90 days,

with oil beginning to arrive in the marketplace 15 days after a presidential decision to initiate a drawdown. The SPR drawdown rate declines to 3.2 million bbl/d from days 91-120, to 2.2 million bbl/d for days 121-150, and to 1.3 million bbl/d for days 151-180.

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Latest U.S. Weekly EIA Petroleum Information

(last update: October 17, 2002)

Petroleum Inventories

U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) jumped by 8.9 million barrels last week, with all of that increase and more occurring in the Gulf Coast. However, even with the large increase nationally, commercial crude oil inventories are still over 31 million barrels below the level last year at this time. In the Midwest, crude oil inventories fell below 55 million barrels once again, returning close to levels not seen since at least 1990, except in recent weeks. With reduced refinery production, distillate fuel inventories fell by 2.0 million barrels last week, while motor gasoline inventories dropped by 6.3 million barrels.

U.S. crude oil inventories increased by 8.9 million barrels (reclaiming about 60% of the decline over the previous two weeks), but crude oil inventories in the Gulf Coast region increased by 11.5 million barrels (reclaiming 75 percent of the decline over the previous two weeks). But this also means that outside of the Gulf Coast, crude oil inventories last week fell by 2.6 million barrels. This occurred despite the fact that crude oil refinery inputs declined in all regions last week (except for PADD 1, the East Coast, where they were essentially flat), which would normally cause inventories to rise, since if crude oil isn't being refined, it is likely being stored for future use. With crude oil inventories outside the Gulf Coast dropping, it appears that the underlying trend of falling crude oil inventories that began slowly in April, and more earnestly in June, is continuing.

Petroleum Imports

U.S. crude oil imports last week averaged 9.5 million barrels per day, up by 1.3 million barrels per day from the previous week, due largely to all ports being open during the week. However, with crude oil imports reduced recently due to storm-related impacts, crude oil imports have averaged just 8.8 million barrels per day, or 500,000 barrels per day less over the last four weeks than averaged during the same four-week period last year. Total motor gasoline imports (including both finished gasoline and gasoline blending components) dropped dramatically last week, averaging 600,000 barrels per day. Distillate fuel imports averaged about 100,000 barrels per day last week, a sharp reduction from the high level in the previous week.

Refinery Inputs and Production

U.S. crude oil refinery inputs averaged just 13.2 million barrels per day during the week ending October 11, due to continued refinery closures in PADD III (Gulf Coast) and to a lesser extent PADD II (Midwest) as a result of Hurricane Lili. Crude oil refinery inputs in the Gulf Coast averaged more than 1.3 million barrels per day less last week than in the week ending September 20, the last week before Tropical Storm Isidore and Hurricane Lili. Due to drops in the last two weeks, crude oil refinery inputs were over 700,000 barrels per day less over the last four weeks than last year at this time. With fewer inputs, production for all major petroleum products was lower last week.

Petroleum Demand

Total product supplied over the last four-week period averaged nearly 19.3 million barrels per day, or about 0.2 percent less than the level last year. Over the last four weeks, motor gasoline demand is up 2.4 percent, kerosene-jet fuel demand is up 5.5 percent, but distillate fuel demand down 0.7 percent compared to the same four-week period last year.

Spot Prices

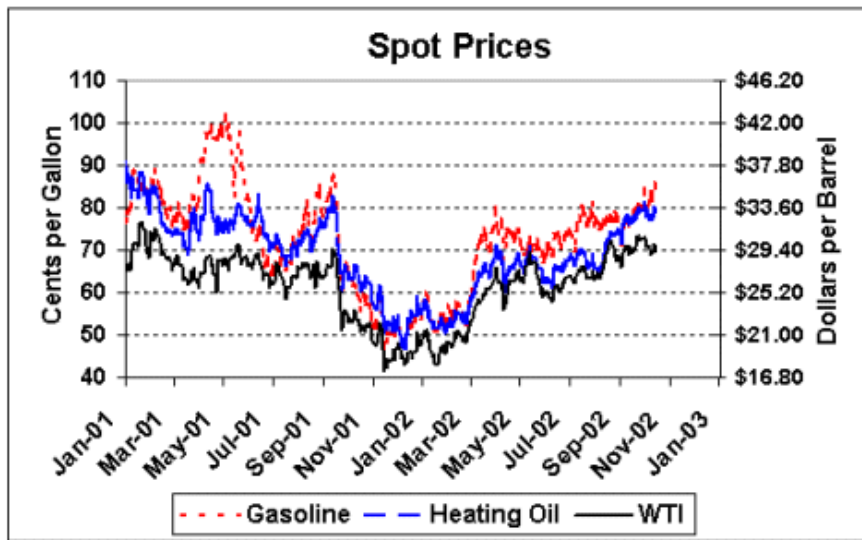
The average world crude oil price on October 11, 2002 was \$26.85 per barrel, down \$0.59 from the previous week but \$6.85 per barrel more than last year. WTI was \$29.36 per barrel on October 11, 2002, \$0.29 less than last week but \$6.87 higher than last year. The spot price for conventional gasoline in the New York Harbor on October 11 was 82.80 cents per gallon, up 2.70 cents from last week and 23.35 cents higher than a year ago. The spot price for No. 2 heating oil in the New York Harbor on October 11 was 77.88 cents per gallon, down 1.32 cents from last week and 12.77 cents more than last year.

Retail Gasoline and Diesel Fuel Prices

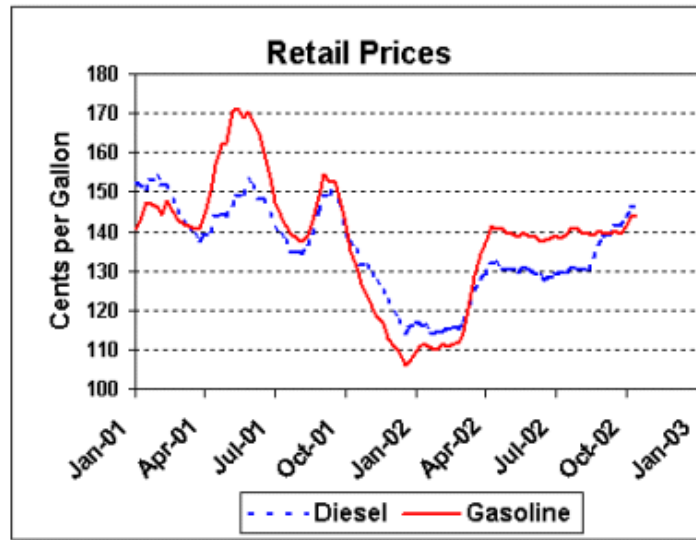
The U.S. average retail price for regular gasoline increased over the last week, rising by 0.1 cent per gallon as of October 14 to end at 144.0 cents per gallon, the highest since September 24, 2001. This price is 13.1 cents per gallon higher than last year. Retail prices have been increasing over the past few weeks, as they catch up with crude oil price increases seen in recent weeks. Retail diesel fuel prices increased for the ninth week in a row, rising by 0.1 cent per gallon to a national average of 146.1 cents per gallon as of October 14. U.S. diesel fuel prices have risen 15.8 cents per gallon since they start increasing nine weeks ago, and with distillate fuel stocks expected to remain on the low edge of the normal range throughout the winter, it is unlikely that prices will soften. Distillate fuel inventories actually decreased slightly in the week ending October 4, adding to the upward pressure on prices. Retail diesel prices were up throughout most of the country, with the largest price increases occurring in the Rocky Mountain region, which each saw prices rise by 0.9 cent per gallon to end at 150.3 cents per gallon. Prices on the West Coast fell by 0.7 cent per gallon to end at 152.7 cents per gallon.

U.S. Petroleum Prices

(updated October 17, 2002)



Source: Closing quote as reported by Reuters News Service



Source: Energy Information Administration (EIA)

Crude Oil and Oil Products Price Table

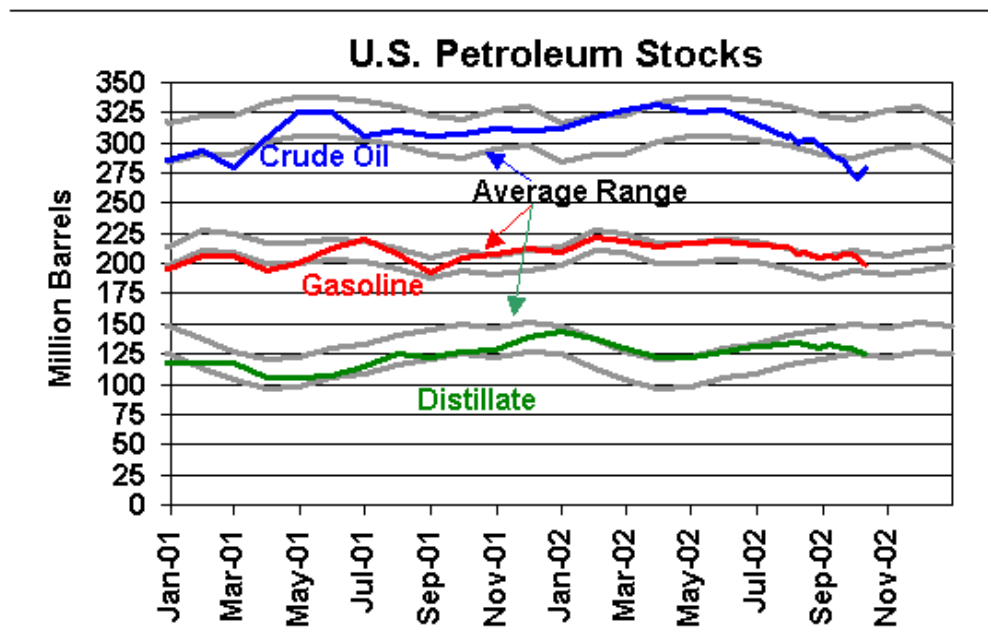
Date	WTI Crude Oil		Gasoline		Heating Oil		Kerojet	Propane		EIA Weekly Retail	
	Spot	Futures	Spot	Futures	Spot	Futures	Spot	Spot	Spot	US Average	
	Cushing		NYH		NYH		NYH	MT. Behmieu	Conway	Gasoline	Diesel
	\$/bbl	\$/bbl	cents per gallon		cents per gallon		c/gal	cents per gallon		cents per gallon	
8/29/2002	\$28.83	\$28.92	77.87	81.32	74.20	75.39	78.43	45.00	43.25		
8/30/2002	\$28.97	\$28.98	77.32	81.42	74.93	74.82	79.03	45.19	43.13		
9/2/2002	NA	NA	NA	NA	NA	NA	NA	NA	NA	139.4	138.8
9/3/2002	\$27.76	\$27.79	71.18	74.52	71.55	72.81	75.68	44.13	42.38		
9/4/2002	\$28.28	\$28.27	73.35	76.22	73.78	75.03	78.15	45.01	42.88		
9/5/2002	\$29.06	\$28.98	75.18	77.66	76.03	77.31	80.18	45.63	44.38		
9/6/2002	\$29.51	\$29.61	76.68	78.63	77.00	78.39	81.15	46.75	45.50		
9/9/2002	\$29.80	\$29.73	77.20	79.00	77.55	78.62	82.05	46.82	45.75	139.5	139.6
9/10/2002	\$29.62	\$29.73	77.70	79.94	77.85	79.27	82.20	47.57	46.25		
9/11/2002	\$29.77	\$29.77	77.60	80.55	77.65	78.97	82.20	47.38	46.00		
9/12/2002	\$28.95	\$28.85	75.55	78.54	75.75	76.58	80.10	46.88	45.25		
9/13/2002	\$29.83	\$29.81	77.75	80.56	77.75	78.67	82.10	47.38	45.94		
9/16/2002	\$29.14	\$29.67	77.30	79.36	76.20	78.37	80.80	47.44	45.63	140.1	141.4
9/17/2002	\$29.08	\$29.08	77.50	77.63	76.85	77.23	81.53	46.50	45.00		
9/18/2002	\$29.57	\$29.48	79.10	79.82	77.90	78.91	82.83	47.57	46.44		
9/19/2002	\$29.49	\$29.50	79.30	80.08	77.85	78.81	82.63	47.57	46.32		
9/20/2002	\$29.65	\$29.61	79.78	81.41	77.45	78.70	82.00	47.88	47.25		
9/23/2002	\$30.85	\$30.71	79.95	84.27	79.00	80.57	83.05	48.75	47.75	139.5	141.7
9/24/2002	\$30.79	\$30.77	80.85	82.92	79.40	80.70	83.53	48.63	47.75		
9/25/2002	\$30.69	\$30.64	80.63	81.69	79.70	80.63	83.68	47.51	46.69		
9/26/2002	\$30.31	\$30.41	78.80	80.81	79.20	80.40	83.10	47.50	46.75		
9/27/2002	\$30.53	\$30.54	80.05	81.43	79.20	80.38	83.20	47.82	46.88		
9/30/2002	\$30.59	\$30.45	79.73	81.35	79.18	80.18	83.06	48.13	47.00	141.3	143.8
10/1/2002	\$30.71	\$30.83	83.03	82.71	81.05	82.04	85.43	48.75	47.75		
10/2/2002	\$30.59	\$30.49	84.53	82.50	80.20	81.35	86.83	48.25	47.44		
10/3/2002	\$29.73	\$29.76	80.25	80.25	77.72	79.43	83.10	47.50	46.25		
10/4/2002	\$29.65	\$29.62	80.10	79.72	79.20	79.19	83.18	47.57	46.00		
10/7/2002	\$29.65	\$29.64	80.80	80.47	78.08	79.16	82.78	47.57	46.25	143.9	146.0
10/8/2002	\$29.56	\$29.48	83.78	82.35	77.55	79.05	83.30	47.26	45.88		
10/9/2002	\$29.31	\$29.35	82.20	82.04	77.71	79.42	83.51	47.32	46.25		
10/10/2002	\$28.96	\$28.97	81.50	80.46	77.10	78.30	83.10	46.69	45.50		
10/11/2002	\$29.36	\$29.37	82.80	82.01	77.88	78.97	83.40	47.25	47.07		
10/14/2002	\$30.06	\$30.03	85.90	84.96	79.85	80.89	85.40	48.25	47.32	144.0	146.1
10/15/2002	\$29.73	\$29.72	84.47	83.99	78.80	79.98	84.35	47.94	46.88		
10/16/2002	\$29.28	\$29.47	84.65	83.93	78.79	79.96	83.64	48.25	47.00		

Source: Spot and futures closing quotes as reported by Reuters News Service, retail prices reported by EIA

Energy Situation Analysis Report

U.S. Petroleum Supply

(Thousand Barrels per Day)	Four Weeks Ending		vs. Year Ago	
	10/11/2002	10/11/2001	Diff.	% Diff.
Refinery Activity				
Crude Oil Input	14,268	15,004	-736	-4.9%
Operable Capacity	16,800	16,510	290	1.8%
Operable Capacity Utilization (%)	86.0%	92.1%	-6.1%	
Production				
Motor Gasoline	8,266	8,404	-138	-1.6%
Jet Fuel	1,473	1,434	39	2.8%
Distillate Fuel Oil	3,416	3,686	-270	-7.3%
Imports				
Crude Oil (incl. SPR)	8,789	9,293	-504	-5.4%
Motor Gasoline	802	820	-18	-2.2%
Jet Fuel	138	129	9	6.8%
Distillate Fuel Oil	213	294	-81	-27.6%
Total	10,969	11,661	-692	-5.9%
Exports				
Crude Oil	30	9	21	230.7%
Products	915	859	56	6.5%
Total	945	868	77	8.8%
Products Supplied				
Motor Gasoline	8,798	8,592	206	2.4%
Jet Fuel	1,624	1,542	82	5.3%
Distillate Fuel Oil	3,692	3,718	-26	-0.7%
Total	19,275	19,305	-30	-0.2%
Stocks (Million Barrels)				
	10/11/2002	10/11/2001	Diff.	% Diff.
Crude Oil (excl. SPR)	279.4	310.6	-31.2	-10.0%
Motor Gasoline	199.0	206.5	-7.5	-3.6%
Jet Fuel	39.7	42.1	-2.4	-5.7%
Distillate Fuel Oil	125.4	127.6	-2.2	-1.7%
Total (excl. SPR)	979.8	1,033.4	-53.6	-5.2%



Source: Energy Information Administration, Weekly Petroleum Status Report, Petroleum Supply Monthly.

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[Home](#) > [Energy Situation Analysis Report](#) > [World Oil Market Highlights](#)

World Oil Market Highlights

(updated October 8, 2002)

According to fourth quarter 2002 estimates, the world (excluding Iraq) holds around 5 million barrels per day of excess oil production capacity that could be brought online, almost all of which lies in OPEC countries.

OPEC Crude Oil Production ¹ (Thousand barrels per day)					
	3Q 2002 Production	4Q 2002 Production	1/01/02 Quota ²	2002 Production Capacity ³	4Q Surplus Capacity ³
Algeria	903	950	693	1,100	150
Indonesia	1,110	1,095	1,125	1,200	105
Iran	3,390	3,390	3,186	3,850	460
Kuwait ⁴	1,926	1,960	1,741	2,400	440
Libya	1,330	1,330	1,162	1,400	70
Nigeria	1,933	2,033	1,787	2,300	267
Qatar	640	640	562	850	170
Saudi Arabia ⁴	7,749	7,800	7,053	10,000-10,500	2,200-2,700
UAE ⁶	1,980	1,980	1,894	2,600	620
Venezuela ⁷	2,746	2,800	2,497	2,900	100
OPEC 10 Crude Oil Total	23,708	23,978	21,700	28,600-29,100⁵	4,622-5,122⁵
Iraq ⁸	1,742	1,765	N/A	3,050	1,285

OPEC Crude Oil Total	25,450	25,743	N/A	31,650-32,150⁵	5,907-6,407⁵
Other Liquids ⁹	2,751	2,751	N/A		
Total OPEC Production	28,201	28,495	N/A		

NA: Not Applicable

¹Crude oil does not include lease condensate or natural gas liquids.

²Quotas are based on crude oil production only.

³Maximum sustainable production capacity, defined as the maximum amount of production that: 1) could be brought online within a period of 30 days; and 2) sustained for at least 90 days.

⁴Kuwaiti and Saudi Arabian figures each include half of the production from the Neutral Zone between the two countries. Saudi Arabian production also includes oil produced from its offshore Abu Safa field on behalf of Bahrain.

⁵ Saudi Arabia is the only country with the capability to further increase its capacity significantly within 90 days. Saudi Arabia can increase its sustainable production capacity to 10 million barrels per day within 30 days and to 10.5 million barrels per day within 90 days. As a result, the estimates for Saudi Arabia are as shown as a range, with the lower figure using the 30 days' definition and the upper end reflecting Saudi Arabia's 90 days' capability. OPEC's surplus capacity estimates are also shown as a range for this reason.

⁶The UAE is a federation of seven emirates. The quota applies only to the emirate of Abu Dhabi, which controls the vast majority of the UAE's economic and resource wealth.

⁷Venezuelan capacity and production numbers exclude extra heavy crude oil used to produce Orimulsion.

⁸Iraqi oil exports are approved by the United Nations under the oil-for-food program for Iraq established by Security Council Resolution 986 (April 1995) and subsequent resolutions. As a result, Iraqi production and exports have not been a part of any recent OPEC agreements. Resolution 986 limited the sale of Iraqi crude oil over six-month periods to specified dollar amounts. However, the Security Council voted to remove any limits on the amount of oil Iraq could export in December 1999.

⁹Other liquids include lease condensate, natural gas liquids, and other liquids including volume gains from refinery processing.

Major Sources of U.S. Petroleum Imports, Jan.-May 2002*			
(all volumes in million barrels per day)			
	Total Oil Imports	Crude Oil Imports	Petroleum Product Imports
Canada	1.91	1.45	0.46
Saudi Arabia	1.52	1.50	0.02
Mexico	1.48	1.45	0.03
Venezuela	1.33	1.14	0.19
Iraq	0.70	0.70	0.00
Nigeria	0.54	0.51	0.03
United Kingdom	0.39	0.31	0.08
Norway	0.37	0.33	0.04
Algeria	0.32	0.04	0.28

Angola	0.32	0.31	0.01
Total Imports	11.15	8.86	2.29

** Table includes all countries from which the U.S. imported more than 300,000 barrels per day in Jan.-May 2002.*

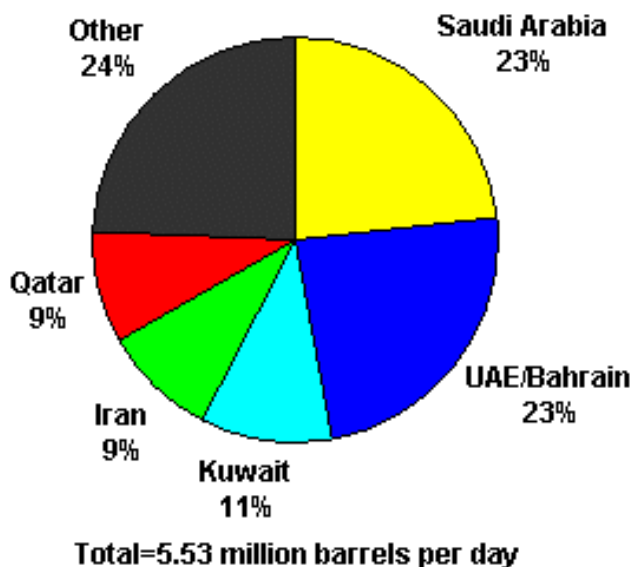
Top World Oil Net Exporters, Jan.-May 2002*		
	Country	Net Exports (million barrels per day)
1)	Saudi Arabia	6.64
2)	Russia	4.81
3)	Norway	3.18
4)	Iran	2.43
5)	Venezuela	2.34
6)	United Arab Emirates	1.92
7)	Nigeria	1.86
8)	Iraq	1.65
9)	Kuwait	1.60
10)	Mexico	1.67
11)	Algeria	1.21
12)	Libya	1.17

**Table includes all countries with net exports exceeding 1 million barrels per day in Jan.-May 2002.*

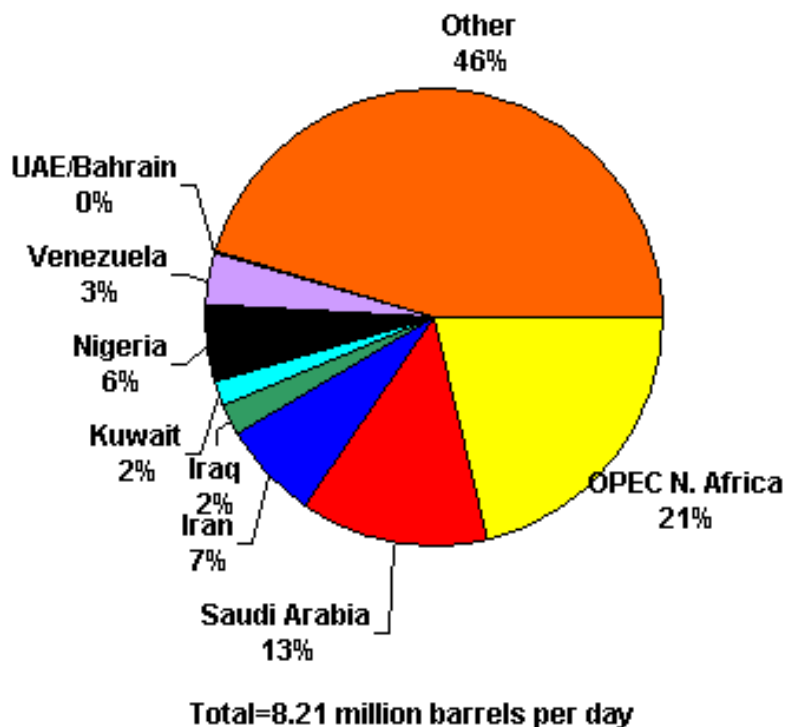
During the first five months of 2002, about half of U.S. crude oil imports came from the Western Hemisphere (17% from South America, 16% from Mexico, 15% from Canada, 2% from the Caribbean), while 27% came from the Persian Gulf region (17% from Saudi Arabia, 8% from Iraq, 2% from Kuwait).

In general, OECD Europe depends far more heavily on the Persian Gulf and North Africa for oil imports than the United States. During the first quarter of 2002, about 25% of OECD Europe's net oil imports came from the Persian Gulf (mainly Saudi Arabia, Iran, Iraq, and Kuwait), around 28% from Africa (mainly Libya, Algeria, and Nigeria), and much of the remainder from Russia. Japan receives over three-quarters of its oil supplies from the Persian Gulf (mainly the UAE, Saudi Arabia, Kuwait, Iran, and Qatar) with the remainder coming from Indonesia, China, and other sources.

**Japanese Net Oil Imports by Country,
1Q 2002**



**OECD European Net Oil Imports
by Country, 1Q 2002**



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Definitions

Petroleum

WTI – West Texas Intermediate (for the purposes of this table, prices provided are near month futures price) Cushing OK.

Bbl – Barrel (42 gallons).

C's – cents.

Natural Gas

Henry Hub – A pipeline hub on the Louisiana Gulf coast. It is the delivery point for the natural gas futures contract on the New York Mercantile Exchange (NYMEX).

Electricity

COB – average price of electricity traded at the California-Oregon and Nevada-Oregon border.

Palo Verde - average price of electricity traded at Palo Verde and West Wing Arizona.

Average - average price of electricity traded at all locations.



[Home](#) > [Energy Situation Analysis Report](#) > **Latest U.S. Weekly Natural Gas Information**

Latest U.S. Weekly Natural Gas Information

(updated October 17, 2002)

[Industry/Market Developments](#)

Report on Nova Scotia Natural Gas Reserves: According to a report commissioned by the Canada-Nova Scotia Offshore Petroleum Board, undiscovered gas reserves in the offshore region of Nova Scotia could range from 15 to 41 trillion cubic feet (Tcf). The report titled, "Hydrocarbon Potential of the Deep-Water Scotian Slope," was released last week and contains assessments that would double earlier natural gas estimates and also add significantly to the expected oil recovery potential. In 2001, over 152 Bcf of natural gas produced at the Sable Island project off Nova Scotia was imported into the United States at Calais, Maine, an increase of 22 percent from the previous year's 124 Bcf.

Natural Gas Rig Counts: The number of rigs drilling for natural gas declined to 709 for the week ending October 11, according to Baker-Hughes Incorporated. This is the lowest rig count since 697 was reported for the week ended June 28, 2002. After reaching a recent high of 746 for the week ended September 13, the number of rigs drilling for natural gas has trended down in 3 of the past 4 weeks. It has declined 24 percent from a year ago at this time when Baker-Hughes reported that 933 natural gas drilling rigs were in operation. Despite this year's declines, the number of active natural gas drilling rigs remains close to the monthly average of 720 for the year 2000 and well above 1999's average of 436. The share of rigs drilling for natural gas has remained above 80 percent since May 2001, and last week's average of 83.5 percent continued this trend. The emphasis on gas exploration and development generally reflects a relative advantage in the economics of natural gas prospects compared with domestic crude oil prospects.

[Storage](#)

Working gas in storage was 3,128 Bcf for the week ended Friday, October 11, 2002, according to the EIA Weekly Natural Gas Storage Report. This is 8.5 percent above the 5-year average for the report week, and almost 2 percent above the level last year for the same week. The implied net injections were 48 Bcf, which is roughly 17 percent below the 5-year average of 58 Bcf for the report week. If weekly net injections approximate the 5-year average of roughly 41 Bcf through the remainder of the refill season, then working gas in storage will be close to 3,244 Bcf by the end of October when the refill season ends. This would exceed last year's working gas stocks entering the heating season by about 3 percent.

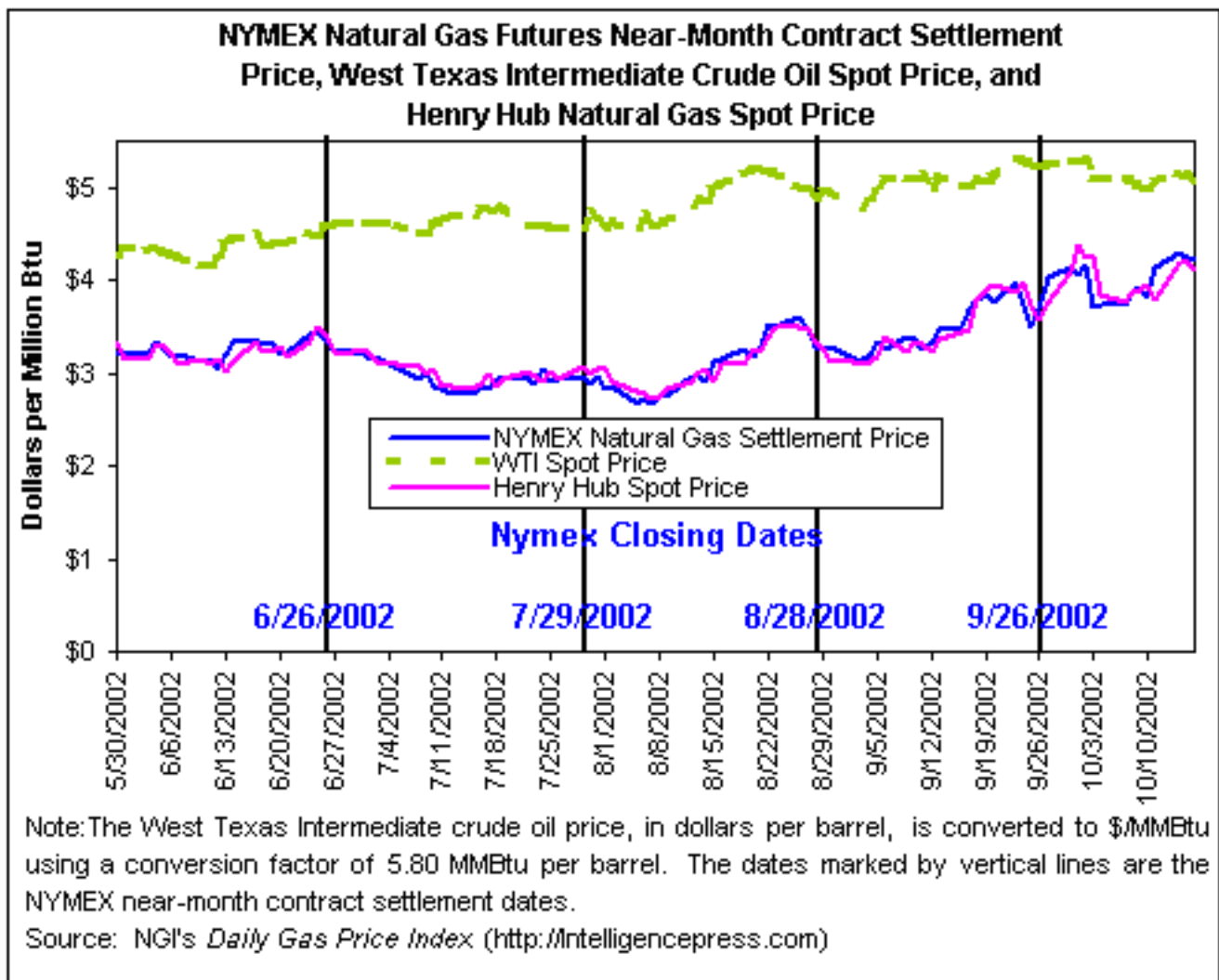
All Volumes in Bcf	Current Stocks 10/11/2002	Estimated Prior 5-year (1997-2001) Average	Percent Difference from 5-Year Average	Implied Net Change from Last Week	One- Week Prior Stocks 10/4/2002
East Region	1,839	1,773	3.7%	29	1,810
West Region	412	354	16.4%	6	406
Producing Region	877	758	15.7%	13	864
Total Lower 48	3,128	2,884	8.5%	48	3,080

Source: Energy Information Administration: Form EIA-912, "Weekly Underground Natural Gas Storage Report," and the Historical Weekly Storage Estimates Database.

Prices:

Spot prices have fallen up to 28 cents per MMBtu at most market locations since Monday, October 14, while prices at selected points in the Rocky Mountains region gained up to 21 cents per MMBtu. After spiking at most locations on Monday, October 14, with gains of 30 to 57 cents per MMBtu as wintry weather moved into some parts of the country, prices then were mostly flat on Tuesday, October 15, and fell up to 15 cents on Wednesday, October 16. At the Henry Hub, prices declined 11 cents since Monday to average \$4.07 per MMBtu.

At the NYMEX, the price of the futures contract for November delivery at the Henry Hub has declined by about 8 cents per MMBtu since Monday, October 14, to settle at \$4.227 per MMBtu on Wednesday, October 16. Similarly, prices of the futures contracts for delivery during the heating season months all declined between 2 and 5 cents since Monday, October 14.



<i>Trade Date (All prices in \$ per MMBtu)</i>	California Composite Average Price*	Henry Hub	New York City	Chicago	NYMEX futures contract-November delivery	NYMEX futures contract-December delivery
9/20/2002	3.51	3.94	4.27	3.85	3.992	4.177
9/23/2002	3.64	3.87	4.19	3.80	4.175	4.342
9/24/2002	3.63	3.98	4.42	3.86	3.929	4.124
9/25/2002	3.32	3.75	4.21	3.56	3.793	4.028
9/26/2002	3.28	3.59	3.95	3.46	3.889	4.114
9/27/2002	3.26	3.76	4.02	3.57	4.041	4.245
9/30/2002	3.59	4.09	4.48	4.04	4.138	4.323
10/1/2002	3.75	4.38	4.94	4.24	4.067	4.240
10/2/2002	3.55	4.24	5.00	4.00	4.160	4.315
10/3/2002	3.40	4.26	4.97	3.97	3.724	3.959
10/4/2002	3.07	3.85	4.16	3.68	3.739	3.969
10/7/2002	3.33	3.77	4.12	3.75	3.740	3.990
10/8/2002	3.46	3.86	4.21	3.87	3.862	4.120
10/9/2002	3.48	3.91	4.24	3.94	3.918	4.158
10/10/2002	3.43	3.94	4.24	3.94	3.828	4.055
10/11/2002	3.23	3.79	4.05	3.81	4.146	4.336
10/14/2002	3.82	4.19	4.45	4.23	4.303	4.471
10/15/2002	3.87	4.20	4.53	4.25	4.247	4.440
10/16/2002	3.66	4.10	4.39	4.18	4.227	4.422

* Average of NGI's reported average prices for: Malin, PG & E citygate, and Southern California Border Average.

Source: NGI's Daily Gas Price Index (<http://intelligencepress.com>)

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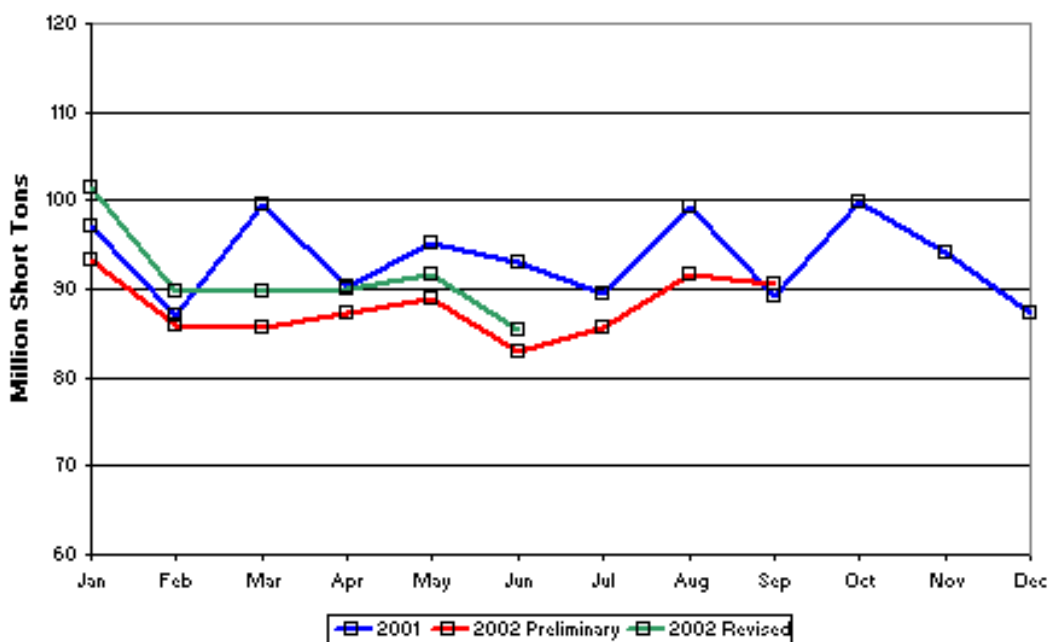
Latest U.S. Coal Information

(updated October 17, 2002)

Coal Production

For the week ended October 12, railcar loadings of coal were 2.0% lower while national [coal production](#) was about the same as year-ago levels. Year-to-date, estimated western U.S. coal production is 0.5% below the levels of a year ago, whereas eastern U.S. coal production is estimated to be 5.9% below last year's level. The revised production for the first 9 months of 2002 is 845.6 million short tons (mst), 2.9% lower than the 840.0 mst in the first 9 months of 2001. The revised estimate incorporates Mine Safety and Health Administration coal production survey data for the second quarter 2002.

U.S. Monthly Coal Production

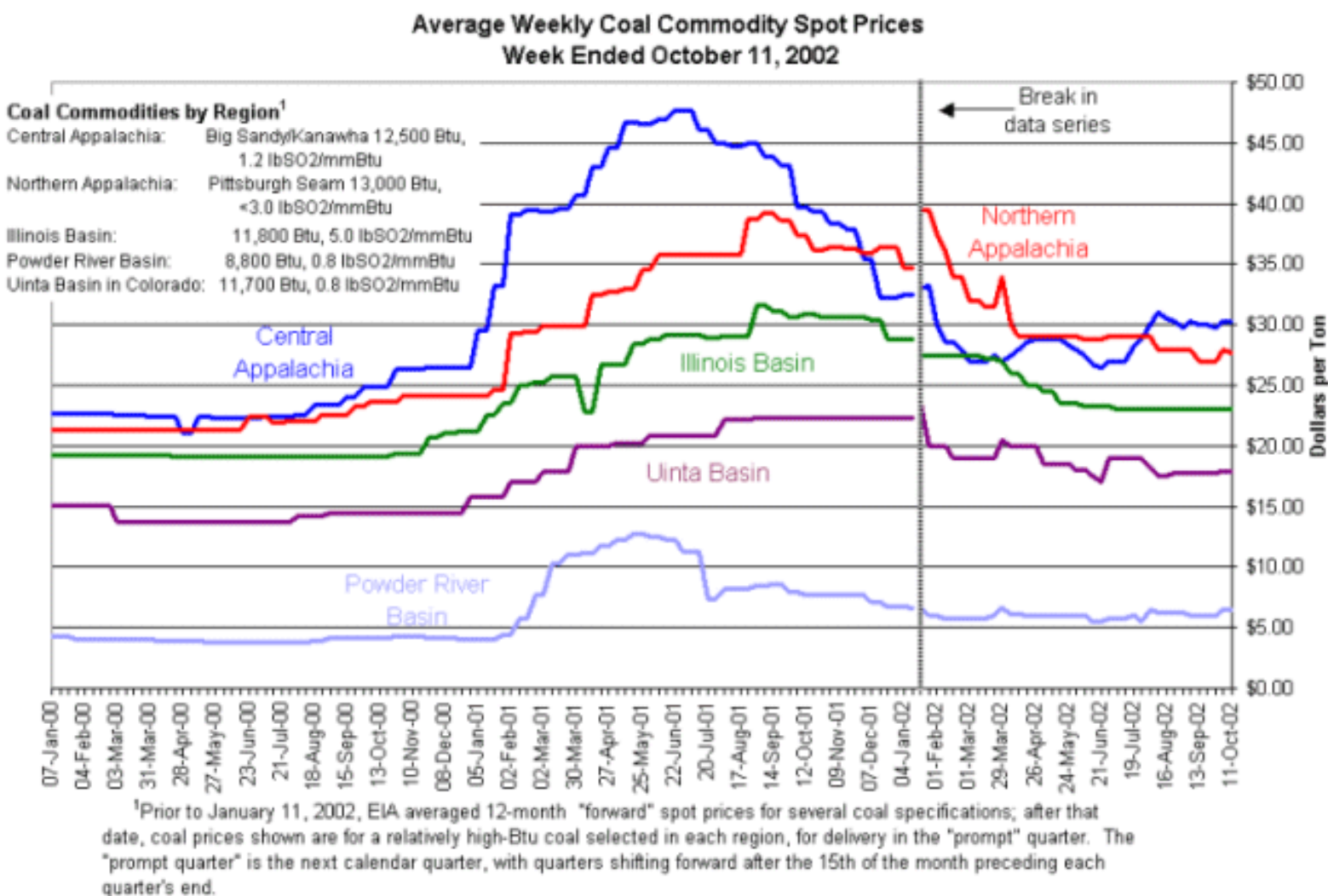


Coal production has been lower than in 2001 ever since the first quarter of 2002. Large coal stockpiles accumulated at mines and at consuming facilities due to slow economic activity and an extended period of seasonally low demand last spring at electric power plants. Hot weather starting in July spurred consumption but ate into only part of the high consumer stocks. Latest EIA estimates for the electric power sector are that 156.4 mst of coal were stockpiled at the end of March, which was 32.05% higher than in March 2001. By the end of June, an estimated 163.7 mst of stockpiled coal was 21.2% higher than 12 months earlier. In the first and second quarters of 2002 coal production exceeded coal use. Since March, coal shipments have included an increased proportion of previously mined production.

Coal Prices

The spot coal prices tracked by EIA strengthened slightly for the week ended October 4, after three weeks of stagnation (graph below). The lack of life in coal markets recently reflects the continuing uncertainty over the direction of coal prices.

Compared to peak prices in summer 2001, Central and Northern Appalachian coal prices are down by about \$17.00 and \$11.00 per short ton, respectively. Compared to the previous floor in the summer of 2000, prior to the 2001 escalation, the latest indexed spot prices of \$30.25 per short ton for Central Appalachian and \$28.00 per short ton for Northern Appalachian coal are higher by 37% and 29% respectively. Other prices are also running higher than the summer 2000 base: by 30% for the Uinta Basin, 20% for the Illinois Basin, and 73% for the Powder River Basin.



Over-the-counter (OTC) trading volumes on the [NYMEX](http://www.nymex.com) throughout the month of September were the lowest since the market initiated trade in coal July 2001. The past week saw limited activity, with the number of trades in single digits, for several delivery dates. Offered prices for November 2002 deliveries settled at \$27.40 with 2003 delivery prices ranging from \$29.35 in January to \$30.00 in July through September.

Market Trends

Would-be buyers have found coal producers generally unwilling to commit beyond existing contracts at current prices. With some eastern mines still off line, supplies of eastern compliance coal have reportedly been tight and most buyers, with still a stockpile cushion, have delayed buys. Citing the high capital costs of opening new coal mines, Consol Energy disclosed on September 24 that the company does not intend to invest in new mines until contract coal prices in Appalachia go above \$30 per short ton and buyers are willing to commit to contracts longer than 2 or 3 years (Energy Argus Coal Daily, September 26). Meanwhile, stock market prices for energy trading companies and some utilities took heavy losses on October 8 and 9 as investors reacted to a new wave of bankruptcy announcements and credit downgrades. Allegheny Energy, AES Corporation, and El Paso Energy (for alleged gas price manipulation) all took major losses. Both traditional utilities and energy merchants were caught in the downdraft—including Northeast Utilities (with disappointing earnings), Dominion, Duke Energy, and TXU. One effect of these trends is a tightening of new capital, credit, and short-term cash for expansions as well as coal purchases and operating expenses.

EIA believes that stock rundowns have now reduced coal on the ground at mines and coal yards to near-normal levels and that summer consumption at power plants has made a significant dent in coal on hand in that, the leading coal consuming sector. With their coal supplies at or above normal, however, most buyers are still sitting tight and putting off major coal purchases. A notable exception was the Tennessee Valley Authority (TVA), which recently took bids for up 3.7 million short tons. Interested parties are awaiting word of the prices TVA will pay for the wide-ranging types of coals it solicited (bids were due September 26). TVA entered the market at a time when many producers may be ready to deal in return for some firm contracts or simply some cash flow. On October 2, Springfield (MO) Utilities issued a solicitation for 1.5 mst of Powder River Basin coal, in an otherwise slow market (Platts Coal Outlook, October 7). This comes at a time when several PRB producers' capacity for 1993 is nearly all committed and when producers are looking for greater-than-3-year contracts. In the short term, producers who can may hold out for better prices in hopes of a cold winter (Platts Coal Outlook, Sept. 30, p.3).

Speaking September 23 at the Platts Coal Marketing Days symposium in Pittsburgh, fuel buyers for three large energy conglomerates described their view of recent coal market trends. At least for large coal purchasing entities, big players have gained "economies of scale" in their coal purchases during 2002. Tom Mason of Cinergy reported that the advantages cut both ways—there are fewer but larger coal companies and there are larger energy/electricity producers. The "market clout of utilities has been offset by market clout of coal companies," he said. At least that was the case in 2000 and 2001. In 2002, however, the utilities gained the advantage. He expects 2003 to be "a dead heat" (Platts Coal Trader, September 24, 2002).

Although this may be good, for a while, for large coal purchasers, the outlook is complicated. It is not clear that smaller coal purchasers have been able to find similarly low coal prices, as average forward prices continue relatively level and reported purchasing activity is restrained. Following lower electricity demand, even NRG Energy, the third largest independent U.S. power producer, is experiencing credit problems and is limiting coal purchases to "just in time" as opposed to "just in case." Meanwhile, coal purchasers who can are keeping or building above-average inventories in anticipation of a cold winter and possible coal strikes in the East. Much of the trading that is getting done is said to be by old-fashioned direct contact rather than the internet-based e-trading that was on the rise until this year.

For the time being, coal producers continue to keep some capacity offline to stabilize prices, while coal-consumers plan for continuing diminished demand. The outlook for delayed growth in electricity demand is reflected in EIA's figures for electricity generation capacity additions: 37.0 gigawatts delayed past 2002 and 5.5 gigawatts canceled

(<http://www.eia.doe.gov/cneaf/electricity/page/capacity/capacity.html>). While most of the planned capacity was natural gas-fired, coal-fired plants do not show up because they are longer-term projects.

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Latest U.S. Electricity Information

(updated October 17, 2002)

Selected Wholesale Electricity Prices: Western U.S. electricity spot prices were mixed over the past seven trading days. Northern California's prices, as measured at the COB trading center, ranged between a high of \$36.00 per megawatthour and a low of \$30.33 per megawatthour. Prices on California's Path 15 were also relatively stable. Both NP-15 and SP-15 prices ranged between \$34.32 and \$39.14 per megawatthour. Prices did decline across the State yesterday (October 16) however, as gas-fired plants increased generation while natural gas prices declined.

Electricity prices in the Mid-continent region, as measured at the Cinergy trading center, increased by almost \$8.00 per megawatthour yesterday (October 16), reaching \$28.23 per megawatthour. Freezing rain and cooler weather coupled with the unexpected shut down of Exelon's 1,150-megawatt nuclear power plant contributed to the price increase. This shut down occurred at a time when many plants in the region were idled for scheduled maintenance.

In the Southeastern U.S., SERC's prices have been mixed for the last seven trading days. Prices ranged between \$26.87 and \$30.10 per megawatthour. Cooler morning weather could lead to an increase in demand causing morning hourly prices to jump over the next several days.

Prices in the Northeast were mixed over the last seven trading days. Prices at NEPOOL ranged between \$45.25 and \$50.00 per megawatthour. Prices in New York City ranged between \$55.50 and \$61.88 per megawatthour. Price at PJM West ranged between \$27.94 and \$38.00 per megawatthour. Cooler weather expected in the Northeast should drive electricity prices upward over the coming weeks.

Over the past seven days, the average price at all trading centers ranged between \$33.87 and \$37.10 per megawatthour.

U.S. Regional Electricity Prices at Major Trading Centers (Dollars per megawatthour)

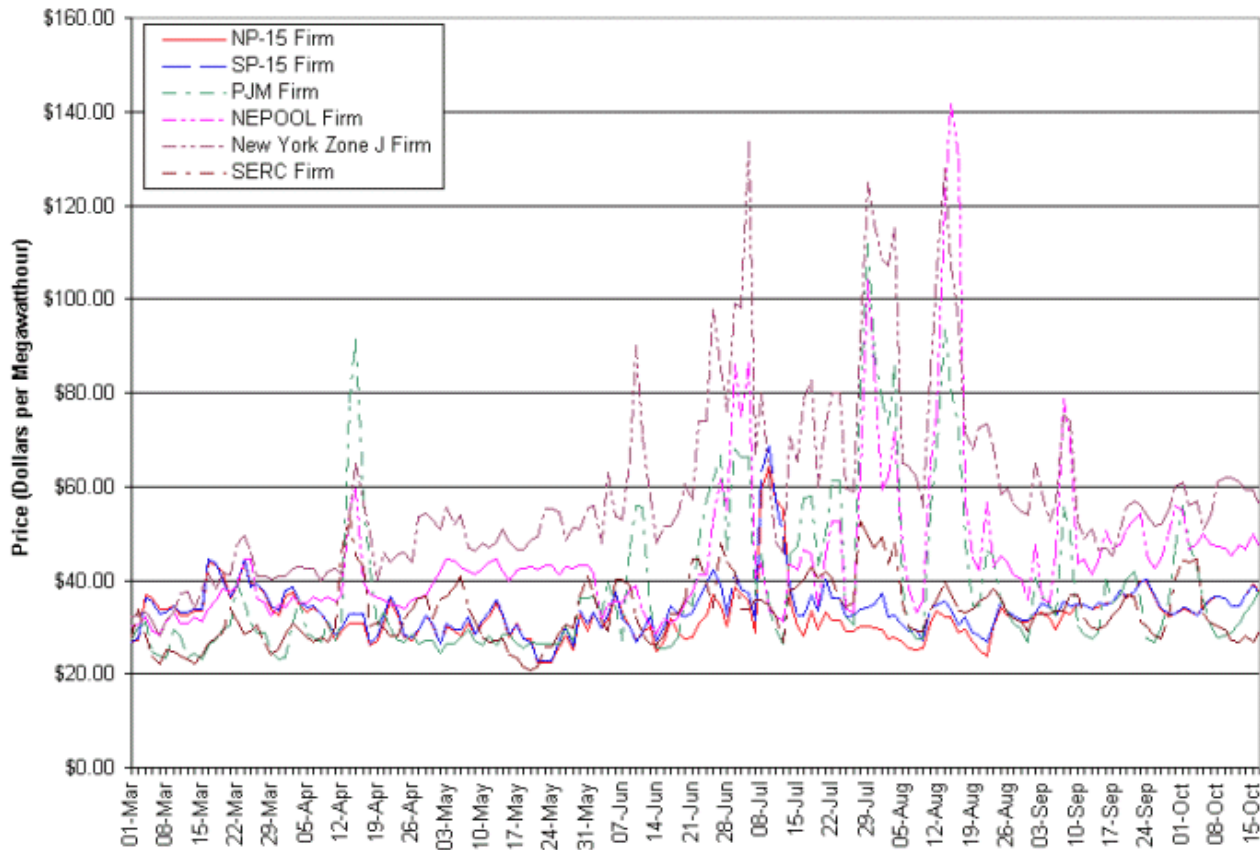
Trading Centers	Date							Price Range		
	10/8/02	10/9/02	10/10/02	10/11/02	10/14/02	10/15/02	10/16/02	Max	Min	Average
COB	30.33	30.63	31.00	30.96	30.44	36.00	33.75	36.00	30.33	31.87
Palo Verde	34.06	34.39	32.26	31.58	33.92	34.93	33.78	34.93	31.58	33.56
Mid-Columbia	26.41	26.45	27.98	28.35	30.44	33.99	33.19	33.99	26.41	29.54
Mead/Marketplace	34.04	34.92	32.58	31.93	35.00	35.57	34.19	35.57	31.93	34.03
4 Corners	33.48	34.24	31.29	30.94	33.19	34.94	33.48	34.94	30.94	33.08
NP 15	36.39	36.11	34.32	34.56	36.93	39.14	37.49	39.14	34.32	36.42
SP 15	36.42	36.22	34.46	34.57	36.89	38.84	37.18	38.84	34.46	36.37
PJM West	27.94	27.95	28.79	30.65	33.00	34.99	38.00	38.00	27.94	31.62
NEPOOL	47.33	47.00	45.25	47.50	46.50	50.00	47.13	50.00	45.25	47.24
New York Zone J	61.00	61.88	61.88	61.00	59.25	59.25	55.50	61.88	55.50	59.97
Cinergy	22.50	23.80	19.50	17.95	21.26	20.67	28.23	28.23	17.95	21.99
SERC	30.10	29.36	27.17	26.87	28.04	26.91	29.04	30.10	26.87	28.21
Average Price	35.00	35.25	33.87	33.91	35.41	37.10	36.75	37.10	33.87	35.33

Sources: COB, Palo Verde, Mid-Columbia, Mead/Market Place, Four Corners, NP-15, SP-15, PJM-West, NEPOOL, New York Zone J, Cinergy, and SERC trading centers. Used with permission from Bloomberg L.P. (www.bloomberg.com).

COB: Average price of electricity traded at the California-Oregon and Nevada-Oregon Borders.
Palo Verde: Average price of electricity traded at Palo Verde and the West Wing, Arizona.
Mid-Columbia: Average price of electricity traded at Mid-Columbia.
Mead/Market Place: Average price of electricity traded at Mead Market Place, McCullough and Eldorado.
Four Corners: Average price of electricity traded at Four Corners, Shiprock, and San Juan, New Mexico.
NP-15: Average price of electricity traded at NP-15.
SP-15: Average price of electricity traded at SP-15.
PJM-West: Average price of electricity traded at PJM Western hub.
NEPOOL: Average price of electricity traded at Nepool.
New York Zone J: Average price of electricity traded at the New York Zone J - New York City.
Cinergy: Average price of electricity traded into the Cinergy control area.

Cinergy: Average price of electricity traded into the Cinergy control area.
SERC: Average price of electricity traded into the Southeastern Electric Reliability Council.

Average Wholesale Electricity Prices in the U.S.



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